

February 22, 1985

SENATE BILL 4127

Mr. Chairman, Members of the Committee, my name is Bob Harvey. I am the Liquor Purchasing Agent for the Washington State Liquor Control Board. I am here today to express the Board's concerns regarding section 2, Paragraph #4 of this bill and the adverse impact Paragraph #4 will have on the retail prices consumers will pay for Washington wines.

While some proponents of this bill may say "this bill won't increase prices to Washington consumers," I will show you this morning how this bill, if enacted as written, will not allow Washington consumers to enjoy lower retail prices on Washington State wines.

As an example, I will use the price the Board is currently paying for a popular Johannisberg Riesling, produced in Washington. The current regular cost to the Board is \$35.55 per case. After applying our standard freight costs, mark-up and taxes to the \$35.55, the retail price is \$5.05 to the consumer.

As Paragraph #4 is now written, the supplier could offer a customer in another state a price reduction on this Johannisberg Riesling of \$4.00 per case and no reduction to the Board, or Washington Wholesalers. If the Board were offered the \$4.00 per case reduction we could reduce our retail to \$4.50, a savings of 55¢ per bottle to the consumer. If the \$4.00 per case price reduction qualified for the Board's Temporary Price Reduction program, our retail price for one month could be reduced to \$4.00, a savings of \$1.05 per bottle off the Board's regular retail price.

PLAINTIFF'S EXHIBIT	
CASE NO.	CV04-0360P
EXHIBIT NO.	064

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From this example you can see that our retail price did not go up, but it is equally clear this bill as written will deny the consumer of Washington an opportunity to pay less. You are being asked to approve an unending corporate subsidy for the marketing interests of Washington Wineries and the large multi-national firms, that own major Washington Wineries, at the expense of the Washington consumer.

The Washington Wine industry is not an infant industry. The state's growers and wineries have made Washington the second largest producer of Vinifera grapes in the United States. We surpassed New York State two years ago and have the potential to overtake California. Proponents of Paragraph #4 argue that the premium wine market is very competitive. It will continue to be so only as long as there is a supply glut and an affirmation policy.

Wine is not like bread, shoes, or any other staple product. Wine is alcohol and alcohol has been subject to unique marketing restrictions throughout recorded history. The Board's affirmation policy is applied to all vintners we deal with. California Wineries are subject to the same standards as Washington Wineries.

While the Board recognizes the contribution made by Washington Wineries to the State's economy, it has been the consumers of Washington that have been the backbone of this industry's growth. This bill as written is hardly a just reward for the support our citizens have given this industry.

I would be glad to answer any questions the Committee might have.